

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1146 - SB 1252

March 8, 2013

SUMMARY OF BILL: Extends the tax credit against the business tax due for personal property taxes paid, from 50 percent of the amount of business tax owed to 100 percent of the amount of business tax owed.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$3,000,000/FY13-14
\$4,420,800/FY14-15 and Subsequent Years

Decrease Local Revenue – \$4,200,000/FY13-14
\$6,229,200/FY14-15 and Subsequent Years

Assumptions:

- According to the Department of Revenue (DOR), there are approximately 30,000 business tax returns filed annually where the personal property tax credit is equal to 50 percent of the taxpayer's business tax liability. Such taxpayers pay approximately \$21,300,000 per year in business tax; the total business tax liability for such taxpayers is estimated to be \$42,600,000.
- Based on information provided by DOR, it is assumed that the personal property tax paid by these taxpayers averages 75 percent, or \$31,950,000 (\$42,600,000 x 75.0%), of their total business tax liability.
- The total recurring decrease in business tax collections is estimated to be \$10,650,000 (\$31,950,000 - \$21,300,000). Of this, approximately \$4,420,755 will be a recurring decrease in state business tax collections, and \$6,229,245 will be a recurring decrease in local business tax collections.
- The bill takes effect on January 1, 2014, and applies to tax years ending on or after January 1, 2014.
- Tax years for business tax taxpayers are staggered based on their classification: the tax year for Class 1 and Class 5 taxpayers ends on December 31, for Class 2 taxpayers on March 31, for Class 3 taxpayers on June 30, and Class 4 taxpayers on September 30.
- As a result, the first-year impact for Class 2 and Class 3 taxpayers will be FY13-14.
- According to DOR, the one-time decrease in total business tax collections associated with Class 2 and Class 3 taxpayers is estimated to be approximately \$7,200,000, of which approximately \$3,000,000 is estimated to be a reduction in state revenue, and \$4,200,000 is estimated to be a reduction in local revenue.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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